

February 2000 Bonding Update

As might be expected, the most popular inquiry to the PECFA program has grown to be the status of the bonding to pay down the PECFA backlog. With over 200 million in reviewed claims; it is easy to see why there is an interest in the bonding process.

During the last couple of weeks, the bonding process has become more concrete and allowed PECFA to begin to make specific plans on exactly how the funds will be paid out. The latest information is that:

- The State Building Commission (the authority for approving the actual bond issuance) met and voted to approve a resolution to bond for 270 million in funds. In addition, it approved a first issuance of 170 million in fixed rate debt. A resolution covering the remaining 100 million in authority will be considered at next month's meeting (the 100 million is being considered separately because it will be a variable rate debt issuance).
- The timeline for when actual funds will be available for the program to pay claims has shifted by about a half month. We now understand that the proceeds from the first offering should be available about the middle of March. The proceeds from the second offering should be available about a month later.
- In preparation for paying down the claim backlog, PECFA will be modifying its usual payment process. Traditionally, the program has sent out all information on the claim review (spreadsheet, letters, etc.) at the time that the actual check was sent out. In order to distribute the approximate 3,600 checks as quickly as possible, PECFA is moving to implement a process of distributing the documents related to the reviews in advance of the actual check payment. This will allow the program to begin working through the mound of paper related to the 3,600 claims without having to wait for the bond funds to become available. This pre-work will allow the program to concentrate on vouchering checks and getting them mailed out when funds do become available.
- Traditionally, PECFA has associated the "program decision date", for the filing of an appeal of denied costs, with the check and spreadsheet mail out date. Under the revised system, however, claimants will be advised of denied costs before the date the check is mailed out. This early notification will be the trigger for the clock on for the filing of an appeal. When the review documents are sent to the claimant, they will be informed of their appeal rights and afforded the opportunity to formally file their appeal.

Note: The Department has allowed thirty days for the filing of an appeal. Because of the volume of decisions that will be issued over a fairly short period of time, consideration is being given to lengthening this appeal period to 60 days.

- Within the approximately 3,600 claims awaiting payment are approximately 850 final claims. As we have noted in the past, these claims present a special problem because interest costs must be calculated to a specific payoff date. We are in the process of identifying the final

claims and will be contacting the lenders involved to determine final interest. When the lender provides the final interest, the charge will be incorporated into the claim and the final spreadsheet prepared. Current planning is focusing on paying all of the finals in the backlog on one date. If problems are encountered in obtaining, final interest amounts, however, the finals may have to be broken into multiple payments.

- Current plans call for paying blocks of approximately 250-300 checks two or three times a week. This will allow the program to voucher checks in logical groupings, verify the checks as they come back from the Treasury and to complete the distribution of the checks in a timely manner.

Although all plans are subject to change, this is PECFA's current strategy for utilizing the funds from the bonding process. As we move into and through implementation, we will continue to provide updates so that claimants and other impacted persons have a clear picture of how PECFA is administering the bond funds.